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UNCLAS SECTION 01 OF 02 RANGOON 000768

SIPDIS

STATE FOR EAP/BCLTV AND CA; USPACOM FOR FPA
COMMERCE FOR ITA JEAN KELLY
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TAGS: ETRD ECON CVIS KTEX TH BM

SUBJECT: BURMESE USING THAIS TO VIOLATE U.S. IMPORT BAN

REF: 03 RANGOON 1337

¶1. SUMMARY: BURMESE GARMENT FACTORY OWNERS ADMITTED TO AN EMBASSY OFFICER THAT THEIR COMPANY IS CIRCUMVENTING THE U.S. IMPORT BAN ON BURMESE PRODUCTS BY EXPORTING THEIR "U2" AND "ADIDAS" BRAND GARMENTS OVERLAND TO BANGKOK, AND THEN RE-EXPORTING THROUGH A THAI COMPANY DIRECTLY TO THE UNITED STATES. THE FACTORY OWNERS SAID THEIR COMPANY WAS INITIALLY HURT BY THE JULY 2003 IMPORT BAN, BUT WAS ABLE TO RECOVER BY SHIPPING TO THE UNITED STATES USING THIRD COUNTRY RE-EXPORTERS. POST BELIEVES THIS "RE-EXPORT" FORMULA IS NOT UNUSUAL, WITH TRANSSHIPMENTS BY OTHER COMPANIES POSSIBLY BEING MADE THROUGH THAILAND, S. KOREA (REFTEL), AND PERHAPS SINGAPORE, HONG KONG, AND TAIWAN. END SUMMARY.

¶2. DURING VISA INTERVIEWS AT THE EMBASSY JUNE 10, TWO CO-OWNERS OF THE RANGOON-BASED D. FREDERICK INTERNATIONAL COMPANY, LIMITED TOLD THE INTERVIEWING CONSULAR OFFICER (WHO IS ALSO THE EMBASSY POLOFF) THAT THEY WERE GOING TO THE UNITED STATES IN LATE JUNE OR EARLY JULY TO VISIT A NAMED U.S. CITIZEN WHO WORKS AT A CULVER CITY, CA IMPORT/EXPORT BANK TO SCOUT OUT BUSINESS OPPORTUNITIES FOR THEIR COMPANY. ONE OF THE OWNERS, MR ABOO BACKER, SAID HE WAS VERY PROUD OF HIS COMPANY'S QUICK RECOVERY AFTER THE JULY 2003 U.S. IMPORT BAN. HE TOLD POLOFF HOW HIS COMPANY IMPORTS FABRIC FROM THAILAND OR CHINA, TURNS IT INTO FINISHED GARMENTS WITH EITHER THE "U2" OR "ADIDAS" LABEL AT HIS 850-PERSON RANGOON GARMENT FACTORY, THEN EXPORTS THE GARMENTS OVERLAND THROUGH THE BORDER TOWN OF MYAWADDY TO BANGKOK. THEIR BANGKOK PARTNER COMPANY, SAKON M.D. COMPANY, LTD, RE-EXPORTS THE GARMENTS DIRECTLY TO THE UNITED STATES FOR A SLIGHT FEE. MR. ABOO BACKER PROUDLY CONFIDED THAT THIS RE-EXPORT ARRANGEMENT "ONLY COSTS A LITTLE MORE."

¶3. IN HOPES OF STRENGTHENING THEIR VISA CASE, THE TWO CO-OWNERS PRODUCED A LETTER ADDRESSED TO THE U.S. CONSULAR OFFICER IN RANGOON FROM THEIR THAI BUSINESS PARTNERS AT SAKON M.D. CO., AND A COPY OF THE THAI COMPANY'S REGISTRATION. INTERESTINGLY, THE LIST OF COMPANY DIRECTORS AND SHAREHOLDERS INCLUDES NOT ONLY NAMES OF THAIS, BUT ALSO A BURMESE AND A CHINESE WITH A TAIWANESE NAME, INDICATING TIES TO OTHER THIRD COUNTRIES FOR THE BURMESE COMPANY. (NOTE: POST IS ENTERING THE NAMES OF THE SMD SHAREHOLDERS INTO THE CONSULAR LOOKOUT SYSTEM.) THE TWO APPLICANTS WERE EVENTUALLY DENIED UNDER INA 214(B), FOR INTENDING TO VIOLATE U.S. IMPORT LAWS.

¶4. THE LARGE SCALE OF D. FREDERICK'S MANUFACTURING OPERATIONS IS TYPICAL OF THE DOZENS OF BURMESE GARMENT MANUFACTURES WHO MAY ALSO BE RE-EXPORTING TO THE U.S. THROUGH THAILAND OR OTHER NEARBY COUNTRIES. IN A GIVEN MONTH, D. FREDERICK BUYS \$50,000 WORTH OF COTTON AND POLYESTER FABRIC FROM THE ZAINSHAN DONGFENG KNITTING GARMENT CO., IN NINGBO, CHINA. THEN THE 850 FACTORY WORKERS TURN THE FABRIC INTO FINISHED GOODS WITH LABOR COSTS OF \$34,000 A MONTH. BURMESE CUSTOMS EXPORT DECLARATIONS FROM A TWO-WEEK PERIOD IN JULY AND AUGUST 2003 LIST THREE D. FREDERICK CO. SHIPMENTS OF MEN'S SUITS AND COTTON POLO SHIRTS TO A NAMED AMERICAN COMPANY IN LOS ANGELES (VIA SINGAPORE) WORTH \$100,000. THOUGH WE DON'T KNOW ALL THE TRANSPORTATION AND OTHER OVERHEAD COSTS UNDER THE CURRENT RE-EXPORT ARRANGEMENT, THE BURMESE CO-OWNER U SAN YU SAID THAT HE MAKES ABOUT \$50,000 TO \$80,000 A MONTH FROM THE BUSINESS.

¶5. COMMENT: THAT THIS COMPANY WAS ABLE TO SHIP OVER \$100,000 WORTH OF GARMENTS TO THE UNITED STATES DURING THE FINAL PRODUCTION SPIKE THE MONTH PRIOR THE AUGUST 2003 IMPORT BAN INDICATES THE SCALE OF IMPORT BAN VIOLATIONS COULD BE RATHER LARGE. THE QUESTION REMAINS AS TO HOW MANY OF THE OTHER REMAINING GARMENT FACTORIES IN BURMA THAT EXPORTED TO THE UNITED STATES BEFORE AUGUST 2003 ARE NOW USING THIS "RE-EXPORT" FORMULA.

¶6. A FEW MONTHS AFTER THE JULY 2003 IMPORT BAN, MANY GARMENT FACTORY OWNERS TOLD US THAT EU BUYERS WERE KEEPING THEM IN BUSINESS WITH INCREASED ORDERS FOR BURMESE-MADE GARMENTS. WE NOW HAVE SOLID EVIDENCE THAT RE-EXPORTING THROUGH A THIRD COUNTRY HELPED AT LEAST ONE BURMESE GARMENT MANUFACTURER RECOVER FROM THE IMPORT BAN. END COMMENT.

MARTINEZ